



STATE OF VERMONT
DEPARTMENT OF EDUCATION
120 State Street
Montpelier, VT 05620-2501

Bulletin: State Department of Education Fiscal Service Bulletin 05-001
Subject: **Requirements for Documenting Salaries and Wages Charged to Federal Grants**
Date: May 16, 2005

This bulletin provides guidance on the documentation required to support salary and wage expenses charged to a federal grant.

For state and local governments (including schools) the requirements for documenting salaries and wages charged to federal grants are contained in OMB Circular A-87 (Cost Principals for State, Local and Indian Tribal Governments) Attachment B section 8h "Support of Salaries and Wages".

The documentation requirements to support direct charges for salaries and wages to federal grants generally break down into two major categories:

- 1) employees who work on a single activity or "cost objective" and are required to certify their time semi-annually, and
- 2) employees who work on multiple cost objectives and are required to prepare and certify a Personal Activity Report (PAR) documenting the amount of effort performed on each cost objective.

The issue of single vs multiple cost objectives is what determines the format of the documentation required to support the charges to the grant. The question of the *funding source* (single or multiple) is a **separate** issue. Thus one could be working on a single cost objective supported by multiple funding sources.

When a position is funded 100% by a single grant source, the employee is generally working on a single cost objective.

When an employee is funded by two sources, the question of what constitutes a "single cost objective" is not always as clear. As a rule of thumb, when an employee is working on a single cost objective, it is clear that **either one** of the funding sources could legitimately be used to pay for 100% of the activity. If there is *any* part of the activity which is ineligible for funding from one of the sources, the employee is probably working on multiple cost objectives.

Examples of single vs. multiple cost objectives have been included as Attachment "A" to this bulletin.

Documentation requirements are as follows:

Single Cost Objective: If an employee is working 100% on a single cost objective, you will be required to have on file a periodic certification to that effect signed by the employee or by a supervisory official having first-hand knowledge of the work performed by the employee. This certification must be completed at least every six months. We would recommend preparing the certifications during the process of preparing the second and fourth quarter's SDE 1.1

Multiple Cost Objectives: Employees working on multiple cost objectives must prepare and maintain a Personal Activity Report (PAR) which must be an **after-the-fact accounting** (timesheet or log) of the time the employee actually spent working on the cost objectives. This accounting must cover the total activity of the employee, *not just the time spent working on the grant*. The accounting must coincide with one or more pay periods, must be prepared at least monthly, and must be signed by the **employee** in addition to the supervisor. Budget estimates or other percentages determined before the services are performed do not qualify as support for charges to federal awards.

Though A-87 does allow a payroll unit to charge to grants on an interim basis using estimates, these charges must be "trued up" quarterly based on the documented actual time spent on the separate cost objectives as reported and certified in the PARs.

There is no specific format required for the PAR other than it must be after the fact, it must account for 100% of the employee's time, and it must be signed by the employee. There is no absolute requirement that the PAR be broken down into hours or even into days, though we would recommend the accounting be sufficient to convince an auditor that it fairly represents the work actually performed by the employee. A series of PAR's which show precisely 20% on activity "A" and 80% on activity "B" every day of every week of every pay period throughout the year might invite more scrutiny during an audit.

OMB Circular A-87 Attachment B section 8 h (6) talks about "substitute systems". The US Department of Education (USDOE) has not authorized the use of any substitute systems in Vermont. We are in the process of requesting approval for a time-sampling system similar to the one now used for special education expenditures, but this is not approved for use until we receive approval from USDOE.

Attachment A to this bulletin provides some examples of single vs. multiple cost objectives. Attachment B contains an extract from OMB Circular A-87 detailing the requirements for supporting charges of wages and salaries to federal awards. Attachment C contains a sample time certification and Attachment D contains a sample Personal Activity Report.

Questions or comments related to this bulletin should be directed to:

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Attachment A

Examples of Single and Multiple Cost Objectives

A single federal award supporting a single cost objective:

Example: A teacher providing services under Federal Title I, Part A 100 percent of the time is charged 100 percent to Title I, Part A.

Time and Effort Reporting Required: Semi-annual certification.

A single federal award supporting multiple cost objectives:

Example 1: A program director works on Title I, Part B, Subpart I, Reading First. The director is responsible for the district-wide administration of the program, as well as direct program responsibilities. Title I, Part B, Subpart I, Reading First, has a maximum administration set-aside of 3.5 percent of the award. To capture the cost of time spent on administrative activities and ensure the district does not exceed the administrative cap, the district must distinguish the cost of salary paid for administrative activities from salary paid for other Reading First activities. To do this, each month the employee tracks and reports the time spent on each of the two cost objectives, (1) Reading First administration; and (2) Reading First program activities.

Time and Effort Reporting Required: PAR or equivalent, at least monthly.

Example 2: Title I, Part A, disadvantaged requires at least 1 percent of the district's Title I, Part A allocation be set aside for parental involvement. A teacher or paraprofessional spends 20 percent of the time performing duties related to parental involvement and 80 percent providing Title I, Part A services to students. To capture the cost of the time spent on parental involvement and ensure the district set-aside is met, the employee must distinguish the cost of the salary paid for parental involvement activities from other Title I, Part A services. To do this, monthly tracking and reporting of the two cost objectives is needed.

Time and Effort Reporting Required: PAR or equivalent, at least monthly.

A federal award and a local award supporting a single cost objective:

Example: A teacher provides services under Federal Title I, Part A, and 100% of their students are Title I eligible. The position is funded in part by Title I, Part A and in part by local general funds. It is not necessary to distinguish the teacher's time between the programs since either Title I Part A or the local general fund could legitimately pay for 100% of the individual's salary. This is reported as a single cost objective.

Time and Effort Reporting Required: Semi-annual certification. Costs must be allocated by the business office to each funding source.

A federal award and state/local award supporting multiple cost objectives:

Example: A teacher provides services to students under Title I, Part C, 60 percent of the time and to students under a state bilingual program 40 percent of the time. Since the services are not the same, two cost objectives are reported.

Time and Effort Reporting Required: PAR or equivalent, at least monthly.

A Schoolwide Program is a single cost objective:

Example 1: The following programs have been combined into a Schoolwide Program: Title I, Part A, disadvantaged; Title II, Part A, Improving Teacher Quality; and Title IV, Part A, Safe and Drug Free Schools and are listed in the Schoolwide Plan. Since a Schoolwide Program may be treated as a single cost objective, a teacher or paraprofessional providing services to students under the Schoolwide Plan 100 percent of the time reports that time as a single cost objective.

Time and Effort Reporting Required: Semi-annual certification.

Example 2: Using the example above, a teacher or paraprofessional provides services to students under the Schoolwide Plan 40 percent of the time and serves as a reading coach under the Reading First program 60 percent of the time. Since Reading First was not included in the Schoolwide Program, the employee tracks and reports the time between two cost objectives, Reading First and Schoolwide Program.

Time and Effort Reporting Required: PAR or equivalent, at least monthly.

Attachment B
Extract from OMB Circular A-87 Attachment “B”

A-87 Attachment B Section 8 “Compensation for Personal Services”

- h. **Support of salaries and wages.** These standards regarding time distribution are in addition to the standards for payroll documentation.

(1) Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit.

(2) No further documentation is required for the salaries and wages of employees who work in a single indirect cost activity.

(3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.

(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

- (a) More than one Federal award,
- (b) A Federal award and a non-Federal award,
- (c) An indirect cost activity and a direct cost activity,
- (d) Two or more indirect activities which are allocated using different allocation bases, or
- (e) An unallowable activity and a direct or indirect cost activity.

(5) Personnel activity reports or equivalent documentation must meet the following standards:

- (a) They must reflect an after the fact distribution of the actual activity of each employee,
- (b) They must account for the total activity for which each employee is compensated,

(c) They must be prepared at least monthly and must coincide with one or more pay periods, and

(d) They must be signed by the employee.

(e) Budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:

(i) The governmental unit's system for establishing the estimates produces reasonable approximations of the activity actually performed;

(ii) At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent; and

(iii) The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.

(6) Substitute systems for allocating salaries and wages to Federal awards may be used in place of activity reports. These systems are subject to approval if required by the cognizant agency. Such systems may include, but are not limited to, random moment sampling, case counts, or other quantifiable measures of employee effort.

(a) Substitute systems which use sampling methods (primarily for Temporary Assistance to Needy Families (TANF), Medicaid, and other public assistance programs) must meet acceptable statistical sampling standards including:

(i) The sampling universe must include all of the employees whose salaries and wages are to be allocated based on sample results except as provided in subsection (c);

(ii) The entire time period involved must be covered by the sample; and

(iii) The results must be statistically valid and applied to the period being sampled.

(b) Allocating charges for the sampled employees' supervisors, clerical and support staffs, based on the results of the sampled employees, will be acceptable.

(c) Less than full compliance with the statistical sampling standards noted in subsection (a) may be accepted by the cognizant agency if it concludes that the amounts to be allocated to Federal awards will be minimal, or if it concludes that the system proposed by the governmental unit will result in lower costs to Federal awards than a system which complies with the standards.

(7) Salaries and wages of employees used in meeting cost sharing or matching requirements of Federal awards must be supported in the same manner as those claimed as allowable costs under Federal awards.

Attachment C
Sample Time Certification

To: Grants File

From: Ellen Crawford, Principal Brookdale Elementary School

Subj: MEMO for the Record – Time Certification

Date: January 12, 2005

In accordance with OMB Circular a-87 Attachment B Section 8 h (2), this is to certify that Allison Genness worked as a Title I Reading Instructor (account 18-4435-3221-04) at the Brookdale Elementary School 100% of the time during the period September 2, 2005 through December 31, 2005

Signed,

Ellen H Crawford

Ellen Crawford, Principal
Brookdale Elementary School

Attachment D

Sample Personal Activity Report

Personal Activity Report

Employee: Fred Lemming
 Supervisor: Helen Sanders, Principal
 Location: Bradley High School

March 6, 2005 thru March 12, 2005 -----

Project	Account	Mon	Tue	Wed	Thu	Fri	Sat	Sun
Title II A Math	29-1156-2000-07	4	8	8	5			
Title V Coordinator	15-1123-3152-07	4			3	8		

March 13, 2005 thru March 19, 2005 -----

Project	Account	Mon	Tue	Wed	Thu	Fri	Sat	Sun
Title II A Math	29-1156-2000-07		2	8	3	4		
Title V Coordinator	15-1123-3152-07	8	6		5	4		

Totals for the Payroll period March 6, 2005 thru March 19, 2005 -----

Project	Account	Hours	%
Title II A Math	29-1156-2000-07	42	53
Title V Coordinator	15-1123-3152-07	38	47

Signed: Fred Lemming Date: 3/22/05

Approved: Helen Sanders, Date: 3/23/05